

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01

OIC-02 AGR-05 L-02 H-01 PA-01 PRS-01 USIA-06 /084 W
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INFO ALL EC CAPITALS 245

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TAGS: ETRD, EEC, ACP

SUBJECT: EC/ACP NEGOTIATIONS -- BRUSSELS MINISTERIAL

REF: (A) EC BRUSSELS 00149 (B) EC BRUSSELS 9857 (1974)

(C) EC BRUSSELS 10044 (1974) (D) LONDON 0695 (E) EC BRUSSELS
00180 (F) EC BRUSSELS 8932 (1974)

1. SUMMARY: NEGOTIATIONS AT THE MINISTERIAL LEVEL BETWEEN THE EC AND THE ACPS ADJOURNED AFTER INTENSIVE DAY AND NIGHT SESSIONS ON WHICH USEFUL PROGRESS WAS MADE ON MOST ISSUES, BUT FINAL AGREEMENT WAS NOT REACHED. THE MAJOR REMAINING PROBLEMS ARE SUGAR AND THE SIZE OF THE EUROPEAN DEVELOPMENT FUND (EDF). FOR THE REST, SOURCES CLOSE TO THE NEGOTIATIONS SAY THAT OUTLINES OF COMPROMISE ARE NEAR, AND MOST SUBSIDIARY ISSUES ARE EXPECTED TO FALL INTO PLACE. MEETINGS BETWEEN THE TWO SIDES WILL RESUME IN BRUSSELS ON JANUARY 30 WITH INITIALLING OF AN AGREEMENT POSSIBLE SOMETIME IN FEBRUARY. END SUMMARY.

2. THE EUROPEAN COMMUNITY AND THE 46 AFRICAN CARIBBEAN AND PACIFIC COUNTRIES (ACPS) CONCLUDED ON JANUARY 15 THE LATEST
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ROUND IN THEIR EFFORTS TO AGREE ON A NEW

ACCORD TO REPLACE THE OLD YAOUNDE, ARUSHA AND COMMONWELATH ARRANGEMENTS. (REFS A AND B). OPENING ACP REMARKS WERE MUCH TOUGHER IN TONE AND SUBSTANCE THAN MANY EC SOURCES HAD EXPECTED. FOLLOWING THE OPENING PLENARY HOWEVER, THE TWO SIDES DIVIDED UP ELEMENTS OF THE PROPOSED ACCORD INTO WORKING GROUPS AND SOME PROGRESS WAS REPORTED.

3. SUGAR: TALKS BETWEEN THE EC AND ACP SUGAR PRODUCERS REMAIN DEADLOCKED OVER THE ARRANGEMENTS FOR THE UK SUPPLEMENTARY PRICE FOR 1975. (SEE REFTELS C, D). OUR SOURCES CONFIRMED EMBASSY LONDON'S REPORT OF THE DISCUSSIONS IN LONDON AND BRUSSELS (REFTEL E). THINGS DID NOT GO WELL AND LACK OF PROGRESS ON SUGAR HAD A DAMPENING EFFECT ON THE MINISTERIAL AS A WHOLE. THE SHORT-TERM UK PRICE (INCLUDING SUPPLEMENT) REPORTEDLY STANDS AT A MAXIMUM UK OFFER OF 250 POUNDS STERLING PER TON CIF FOR 12 MONTHS AND A MINIMUM ACP DEMAND OF 283 POUNDS FOR 18 MONTHS. THE UK IS HOLDING ITS GROUND AT 250 POUNDS BUT MAY EXTEND THE TIME PERIOD TO MEET THE 18 MONTH ACP REQUEST. JAMAICAN MINISTER PATTERSON, HEADING UP THE ACP SIDE IN THE SUGAR TALKS, SPOKE AT THE CLOSING MINISTERIAL PLENARY AND UNDERLINED ACP INSISTENCE THAT THEY WILL NOT SIGN A NEW CONVENTION UNTIL AND UNLESS A SATISFACTORY SUGAR DEAL IS ARRANGED. NO NEW DATES HAVE YET BEEN SET FOR RESUMPTION OF THE SUGAR TALKS, BUT IT IS HOPED TO GET TOGETHER AGAIN BEFORE FULL NEGOTIATIONS RESUME ON JANUARY 30. IF THE DEADLOCK ON THE UK SUPPLEMENTARY PRICE CAN BE LIFTED, THE REMAINING QUESTION OF THE LONGER TERM (5-7 YEARS) SUGAR PROTOCOL SHOULDN'T BE A BIG PROBLEM.

4. EUROPEAN DEVELOPMENT FUND: ACCORDING TO COMMISSION AND UK PERM DEL CONTACTS THE ISSUE OF THE OVERALL SIZE OF THE EDF WILL BE THE VERY LAST ITEM SETTLED. THE EC COUNCIL MEETING ON JANUARY 13 REPORTEDLY ACHIEVED A FINAL EC POSITION FOR AN EDF OF 3.15 BILLION U.A. OVER FIVE YEARS SUPPLEMENTED BY 400 MILLION U.A. FROM THE EUROPEAN INVESTMENT BANK, AND THE UNIT OF ACCOUNT FOR EDF PURPOSES WILL BE EXPRESSED IN TERMS OF THE SDR. THE EC POSITION ON THE SIZE OF THE NEW EDF REMAINS QUITE FIRM ALTHOUGH PUBLICLY THE ACPS ARE STICKING WITH THEIR DEMAND FOR 8 BILLION U.A.

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5. TRADE: DISCUSSION CENTERED AROUND THREE ELEMENTS -- MFN TREATMENT, RULES OF ORIGIN AND CONSULTATION PROCEDURES. ALL OUR REPORTS INDICATE THAT THE NON-RECIPROCITY ARRANGEMENT WHICH EMERGED AT KINGSTON REMAINS INSTANT (REFTEL B). ON THE SPECIFICS OF THE MFN CLAUSE, THE ACPS HAD REQUESTED DEROGATIONS FROM MFN AMONG ACPS, BETWEEN ACPS AND OTHER LDCS, AND BETWEEN ACPS AND OTHER INDUSTRIALIZED COUNTRIES. THE EC IS READY TO ACCEPT SUCH DEROGATIONS AMONG ACPS AND OTHER LDCS BUT ADAMANTLY RE-

JECTS PROPOSED DEROGATIONS IN FAVOR OF OTHER INDUSTRIALIZED COUNTRIES. THE EC ALSO WANTS THE MFN CLAUSE TO APPLY TO BOTH IMPORTS AND EXPORTS, WHILE THE ACS RESIST ITS APPLICATION TO THEIR EXPORTS. IT IS POSSIBLE THAT THE ACPS MAY DROP THE PROPOSAL FOR DEROGATION FROM MFN FOR OTHER INDUSTRIALIZED COUNTRIES IF THE EC WITHDRAWS THE EXPORT MFN DEMAND.

6. ON RULES OF ORIGIN, AGREEMENT IS NEEDED REGARDING THE PERCENTAGE OF ACP VALUE-ADDED IN PRODUCTS ORIGINATING IN THIRD COUNTRIES. THE ACPS ARE ASKING FOR 25 PERCENT BUT THIS IS UNACCEPTABLE TO THE EC WHO SAY EVEN 30 PERCENT IS TOO LOW. THE EC HAS ACCEPTED ACP OBJECTIONS TO OBLIGATORY CONSULTATION PROCEDURES AND INSTEAD WILL ACCEPT A LESS RIGOROUS ARRANGEMENT FOR MUTUAL CONSULTATIONS ON PROBLEMS WHICH MIGHT ARISE UNDER THE TRADE REGIME. IN SUM, OUR CONTACTS ADMIT THAT A NUMBER OF TRICKY QUESTIONS REMAIN IN THE TRADE SECTION BUT THAT AGREEMENT IS WITHIN REACH.

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7. AGRICULTURAL PRODUCTS: THE EC'S EXISTING OFFER, COVERING 96 PERCENT OF ACP AGRICULTURAL EXPORTS, MADE IT DIFFICULT FOR THEM TO MAKE SIGNIFICANT NEW CONCESSIONS. A COMPROMISE HAS BEEN

OUTLINED WHICH WILL PROVIDE ADDITIONAL EC CONCESSIONS ON BEEF FROM BOTSWANA AND LESOTHO, CUT-FLOWERS FROM KENYA, AS WELL AS OTHER CONCESSIONS ON RICE, CORN AND ARROW-ROOT (DETAILS NOT YET AVAILABLE. THE EC IS ALSO READY TO ACCEPT A COMMITMENT TO CONSIDER ADDITIONAL REQUESTS LATER CONCERNING NEW PRODUCTS THE ACPS MAY BE ABLE TO EXPORT. ACP REQUESTS FOR CONCESSIONS ON CITRUS JUICES, AND CANNED VEGETABLES ARE REPORTEDLY BEING RESISTED BY THE EC.

8. STABILIZATION OF EXPORT EARNINGS (STABEX): DISCUSSIONS ON THE STABEX SCHEME FOCUSSED ON THE LIST OF PRODUCTS AND ON THE REPAYMENT PROVISIONS. THE ACP'S DEMANDS FOR INCLUSION OF CERTAIN CAP PRODUCTS AND SOME MINITERALS WAS RESISTED. A COMMISSION SOURCE HAS CONFIRMED, HOWEVER, THAT UNDER A COMPROMISE FORMULA, THE EC WILL PROBABLY AGREE TO INCLUDE ONE MINERAL, IRON ORE, TO PERSUADE MAURETANIA TO ACCEPT THE PACKAGE. ON REPAYMENT THE EC IS LIKELY TO AGREE TO ALLOW THE LEAST DEVELOPED ACPS LIMITED OFFICIAL USE

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A SPECIAL STATUS - I.E., NO REPAYMENT OBLIGATION OR SOME MINIMAL AMOUNT LIKE 10 PERCENT. THE EC HAS AGREED THAT THE LIST OF PRODUCTS MIGHT BE REVISED AFTER A YEAR. THE ACPS WANT A LOWER FLUCTUATION THRESHOLD (I.E., EXPORT EARNINGS DECLINE NEEDED TO TRIGGER A FINANCIAL TRANSFER), THAN THE 10 PERCENT FLUCTUATION PROPOSED BY THE COMMUNITY AND THE EC WILL PROBABLY CONCEDE SOME GROUND ON THIS. ADDITIONAL OUTLINES OF COMPROMISE APPEAR LIKELY ON THE REFERENCE VALUE AND ON THE SAFEGUARD/PENALTY CLAUSE (I.E., TO PREVENT MANIPULATION OF THE SCHEME). FINALLY, TH QUESTION OF THE CEILING (EC WANTS A LIMIT OF 400 MILLION U.A. OVER 5 YEARS) ON THE SCHEME AWAITS A DECISION ON THE OVER-ALL SIZE OF THE EDF.

9. INDUSTRIAL COOPERATION: MOST ASPECTS OF THIS CHAPTER ARE REPORTEDLY READY FOR SETTLEMENT BUT FINAL AGREEMENT HAS NOT BEEN REACHED ON THE EC'S REQUEST FOR "FAIR AND EQUITABLE TREATMENT" OF INVESTMENT IN THE ACPS (SEE ARTICLE 13 OF DRAFT TEXT SENT TO EUR/RPE). LATEST REPORTS INDICATE THAT THE STATEENT "FAIR AND EQUITABLE TREATMENT" HAS BEEN REJECTED BY THE ACPS IN FAVOR OF A STATEMENT ALONG THE LINES OF "THE ACPS RECOGNIZE THE NECESSITY OF PROVIDING FAVORABLE CONDITIONS TO ECONOMIC OPERATORS." WHEN ASKED ABOUT THE IMPLICATIONS OF THIS CLAUSE FOR THIRD COUNTRY "OPERATORS" OUR COMMISSION CONTACT SAID THAT WHILE THE EC CANNOT NEGOTIATE FOR OTHER COUNTRIES IT WAS NOT THE EC'S INTENTION THAT THIS CLAUSE BE INTERPRETED AS HAVING A DISCRIMINATORY ELEMENT.

10. INSTITUTIONS: DISCUSSION UNDER THIS HEADING INCLUDED THE QUESTION OF THE TITLE OF THE NEW AGREEMENT - THE ACPS DON'T LIKE THE TERM "ASSOCIATION", -- A MINOR ISSUE IN ANY EVENT. A COMPROMISE APPEARS LIKELY ON THE CONTENTS OF THE PREAMBLE

AND THE EC HAS REPORTEDLY AGREED ON THE TEXT OUTLINING THE CONDITIONS UNDER WHICH NEW COUNTRIES COULD BECOME MEMBERS OF THE ARRANGEMENT.

11. COMING EVENTS: IN ADJOURNING THE MINISTERIAL, THE TWO SIDES HAVE AGREED TO RESUME THE NEGOTIATIONS AT MINISTERIAL LEVEL OF JANUARY 30/31. AN "ENLARGED" ACP BUREAU AT MINISTERIAL LEVEL HEADED BY BABACCA BA WILL HAVE FULL AUTHORITY TO NEGOTIATE ON FINAL TEXTS SHORT OF INITIALLING AN ACCORD. THE COUNCIL OF FOREIGN MINISTERS MEETING JANUARY 20/21 IS EXPECTED LIMITED OFFICIAL USE

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TO DECIDE ON THE EC REPRESENTATION. IF SUFFICIENT PROGRESS CAN BE MADE IN A NEW ROUND OF SUGAR TALKS AND AT THE RESUMED EC/ACP MINISTERIAL THEN SOURCES EXPECT THE TWO DIEES COULD INITIAL AN ACCORD SOMETIME IN FEBRUARY, PROBABLY IN LOME.

11. TRANSITIONAL MEASURES: THE COMMISSION IS EXPECTED TO PRESENT ITS PROPOSALS TO THE COUNCIL ON JANUARY 20 FOR TRANSITIONAL MEASURES COVERING THE PERIOD AFTER EXPIRATION OF THE CURRENT AGREEMENTS (JANUARY 31) AND BEFORE THE RATIFICATION OF THE NEW ACCORDS. (SEPTEL).GREENWALD

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